

**Lawrence Berkeley National Laboratory
Contract Assurance Council Meeting
Meeting Minutes**

**Wednesday, April 12, 2006
University of California—Office of the President
Franklin Building, Room 10325**

CAC members or representatives present:

Larry Coleman	Pat Reed	Judy Boyette
Anne Broome	Bob Van Ness	John Layton
Mike Telson for Bruce Darling	Susan Thomas for Jim Holst	

CAC members absent:

Bob Foley	John Birely	Karen Clegg
John Oakley	Buck Koonce	

UCOP Staff present:

Jim Hirahara	Sharon Eklund
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Guest participants:

David McGraw, LBNL	Jeff Weiner, LBNL	Ron Nelson, UCOP
Jeffrey Fernandez, LBNL	John Chernowski, LBNL	Bill Eklund, UCOP

Introductory Remarks

Bob Van Ness, acting as Chair of the Contract Assurance Council (CAC) in the absence of Bob Foley, welcomed Council members and guests to the quarterly meeting. He announced that the newly formed Lawrence Berkeley National Laboratory (LBNL) Advisory Board is meeting for the first time on April 14 and 15, 2006. The Board will discuss issues related to the Lab vision and strategy for accomplishing the technical mission and how UC supports LBNL in its efforts. Bob also introduced Sharon Eklund, who will be helping the Council with agenda development and maintaining records of Council business, as well as assuring appropriate follow up on Council requirements or actions.

Risk Registry Update

John Chernowski, LBNL Manager of Contract Assurance, explained to the members that the Risk Registry includes vulnerabilities identified in the DOE FY05 performance evaluation of LBNL, in the tri-party (UCOP/LBNL/Berkeley Site Office [BSO]) review process, and in other processes related to the Performance Evaluation Measurement Plan (PEMP). John reviewed for the Council members additions to the Registry since the last meeting:

- Account reconciliations had fallen behind by the end of the first quarter. As of mid-year, these reconciliations are now current.

- A desired migration of real property data to the Laboratory's official records in the Account Management System has experienced a lengthy delay because the Lab has had insufficient resources to build the required AMS interface, but they intend to make the necessary modifications in the short term. In the meantime, data integrity is being maintained, and less efficient manual reconciliations are required.
- The Lab is making progress on the development of automated versus manual internal controls.
- LBNL has developed exempt employee and manager on-line training designed to reinforce the importance of timesheet accuracy.
- To address an insufficiency of checks and balances to reduce unauthorized commitments, the Lab has updated the corresponding Standard Practice (SP) to include disciplinary action in the event of an unauthorized procurement.
- The Lab procurement organization is currently not meeting most of the socioeconomic procurement goals. However, they are enhancing outreach efforts to identify qualified small and disadvantage business vendors and working closely with BSO to demonstrate a good faith effort to meet these stretch targets. Jeffrey Fernandez, LBNL Chief Financial Officer, indicated that the Lab has also been involved with UCOP to encourage utilization of more small business vendors in the strategic sourcing "stable" of contractors from which LBNL could select.
- The current Days Away, Restricted, or Transferred (DART) and Total Recordable Case (TRC) rates indicate good performance at mid-year.
- The Office of Contract Assurance is preparing to roll out the Corrective Action Tracking System (CATS) to the entire Lab. In the last several weeks, nearly 1300 entries regarding safety deficiencies have been added to the system. The CATS team is meeting monthly with senior management to focus attention on addressing these deficiencies. The Finance, Procurement, and Project Management organizations are also using CATS, and the Information Technology and Property organizations are planning to participate.
- The LBNL Facilities, Engineering, and EH&S Divisions are working together to bring more formality to the welding program.
- Asset Condition Index performance is currently in the "C" range based on the current Appendix B measure. The Lab has been discussing with BSO the unintended consequence of a large carryover of deferred maintenance from FY05 on the reasonableness of this year's measure and are recalibrating the measure accordingly.
- The Lab is also working with BSO to modify the contract performance measure on the Bevatron demolition project so that schedule performance is based on timely receipt of the Environmental Impact Report from DOE.

David McGraw, LBNL Chief Operating Officer, indicated that the LBNL senior management relationship with BSO senior management is good; McGraw, Chu, and Krupnick meet with Aundra Richards, BSO Site Manager, weekly. The relationship between Lab staff and BSO staff is improving, particularly since LBNL staff has made a concerted effort to keep BSO staff fully informed so they have the necessary operational awareness needed to objectively assess issues and performance.

EH&S Peer Review Status

Howard Hatayama, acting EH&S Division Director, presented further detail on the current encouraging DART and TRC trends. He cautioned that while the trend reflects improvement over the first quarter results, the margin for adverse events impacting results is small so the Lab needs to continue to be vigilant. Howard updates Aundra weekly on the Corrective Action Plan (CAP) that resulted from the January Peer Review. See briefing attached for latest update and DART/TRC data. BSO sent the CAP validation plan to the Lab, and it is clear that there is an expectation for more formal root cause analysis than was originally planned, so BSO and the Lab have agreed to adjust the submittal date for the final CAP to June 1. The Council raised questions as to whether the Peer Review findings were ideally suited to root cause analysis. Howard acknowledged this but felt that there was possibly some additional insights the Lab could gain by performing the additional analysis requested by DOE and will proceed accordingly.

Procurement/Property Issues Status

Jeffrey Fernandez reported that one of the biggest challenges in the procurement organization is the lack of a customer-focused culture. The Procurement Department has implemented a new self-assessment plan, and they completed a major overhaul of the SPs. They delivered the revised SPs on time as the result of an effective partnership of LBNL, BSO, and UCOP, who provided a dedicated resource to this task for six weeks. The Procurement Department is now turning its attention to updating their forms, standard contract formats, and staff training. The Procurement Employee Advisory Council has been formed to work with management to identify ways to improve employee satisfaction. To address customer satisfaction issues, Procurement is engaging in strategic hiring and working with customers to determine what their unmet needs are.

The Property Department exceeded the goal for locating sensitive and controlled property during its annual inventory, based on a statistical sample. In the Supply Chain Initiative, the Lab has a plan for saving \$30M in five years. A key element of the plan is implementation of the Electronic Ordering System, which also entails electronic settlement of invoices. To facilitate the initiative, the Lab

- Has developed a friendly user interface for the system,
- Is pursuing a goal of adding one new supplier to the system each month,
- Is rolling out the system to the entire Lab, and
- Is keeping track of the cost savings.

The Council expressed interest in obtaining a report of progress in achieving the \$30 million goal. Jeffrey indicated that he is analyzing how to represent the cost savings information and will work with Lab Management and BSO to validate that his approach is credible. A briefing will be provided to the Council in the near future.

Work for Others

As a follow up to comments provided to the Council by the BSO Site Manager at our last Council meeting regarding appropriate utilization of Work for Others (WFO), Jeff Weiner,

LBNL Sponsored Projects Office Manager, provided the Council a general orientation on the subject. See briefing attached. Jeff Weiner defined for the Council what WFO entails, criteria for its use, summary data on sponsors and dollar volume, and how it is handled at LBNL. He explained that since WFO must entail full cost recovery, LBNL cannot perform work for certain sponsors with “overhead caps.” WFO benefits the Lab in many ways, including by facilitating technology transfer and maintaining core competencies. Jeff discussed the best practices applied to the management of WFO and the controls that are applied to WFO. David explained that the Lab has been keeping Aundra knowledgeable about the WFO program. He indicated that Aundra did not have any specific concerns regarding individual transactions, but wanted to be kept informed of overall trends, projected activities, and positive or potentially controversial impacts on the Lab.

PEMP Process

John C. explained to the Council the formal process the Lab has developed for UCOP, LBNL, and BSO to communicate and coordinate regular performance status discussions. There will be joint quarterly meetings at the staff level to look at performance and to update the Risk Registry, and by next quarter the process provides for the addition of documentation of BSO’s agreement or disagreement with the assessment of current performance status. The Council asked if a UCOP/LBNL “dry-run” meeting was part of the process to assure that the UCOP/LBNL/BSO quarterly review includes a rigorous review that will fully raise issues and concerns related to PEMP objectives and measures. John indicated that such a dry run would occur.

Operations Organization Changes

David announced that he has a new deputy, Sandy Merola, who was the IT Division Director and will remain the Chief Information Officer. They are now seeking a new IT Division Director to replace Sandy. Jeffrey reports to the LBNL Director, as do managers of a number of important assurance functions. This new arrangement has helped David implement a more integrative operations approach and a common strategic vision for Operations. See attached briefing.

Wrap Up, Action items, and Adjournment

The Council suggested that for future Council quarterly meetings, there be a ten-minute Executive Session to discuss any concerns the Council has about how LBNL is doing. They also suggested that at least some of the meetings be held at LBNL. John L. suggested that there be a way for Council members to suggest possible agenda items for future meetings. Bob V. thanked the Lab for doing a great job of preparing and for their focus on tracking the performance elements in order to facilitate contract renewals.

Action Items:

1	Chernowski LBNL	Modify Risk Registry report to include a column in which BSO concurrence with the current status of the item can be indicated.
2	Chernowski LBNL	Plan C31 Risk Registry updates for the quarterly meetings and as-needed at the monthly meetings.
3	Fernandez LBNL	Brief the Council on how LBNL is tracking cost savings and the current status.
4	Chernowski LBNL	Schedule a dry run of the presentation to senior LBNL and BSO management of second quarter performance. (UC-internal only).
5	Hirahara/Eklund UCOP	Schedule a ten-minute Executive Session at the close of each CAC quarterly meeting.
6	Hirahara/Eklund UCOP	Schedule next quarterly CAC meeting to be held at LBNL.
7	Hirahara/Eklund UCOP	Implement a call for agenda topics prior to each meeting.